

Financial Statement Requirements Renewing a License

Financial statement- A balance sheet listing all of the assets and liabilities of the company holding the license;

*The balance sheet should not contain personal assets or liabilities.

*A classified balance sheet is preferred over an unclassified balance sheet.

Classified- separates assets and liabilities into current and non-current (long-term)

*The financial statement must be in **exactly the same name as licensed**.

*The balance sheet should contain a full date, including the month, day, and year.

*****Reviewed Financial Statement** by an actively licensed CPA/PA is required if your monetary limit is **over \$1,500,000**. Must be on GAAP basis, OCBOA financials are not accepted. The reviewed financial statement must contain a signed report page, balance sheet and full disclosure notes. Audited financials are also acceptable.

***A **self prepared or compiled financial statement** is acceptable if your monetary limit is **\$1,500,000 or less**.

***If your company is a **subsidiary of another company**, the parent company must submit a guaranty agreement and a financial statement.

A company's financial statement should not include any personal assets or liabilities.

A guide to **classifying assets and liabilities**:

CURRENT ASSETS are cash and those assets that are reasonably expected to be realized in cash or sold or consumed **within one year** or within a business's normal operating cycle if it is longer. Generally, current assets include the following:

- Cash and cash equivalents available for current operations
- Marketable securities representing the investment of cash available for current operations, including investments in debt and equity securities classified as trading securities.
- Underbillings on work in progress
- Inventories (to include materials and/or houses built for sale). Also, developed lots for sale. Raw, undeveloped land is not a current asset.
- Retirement Plans, specifically an IRA, 401K and Profit Sharing, will be allowed at 50% (***Personal IRA's not allowed on Company Financial Statement***)
- Cash surrender value of life insurance policies (Not face value of life insurance)
- Trade accounts receivable, notes and other receivables that are expected to be collected within one year
- Prepaid expenses such as insurance, interest, rents, taxes, etc.

The following are **not current assets**, however, since they generally are not expected to be converted into cash within one year:

- Related party or owners receivables (not allowed as a current asset)
- Cash restricted for special purposes (Restricted cash may be classified as a current asset if it is considered to offset maturing debt that has been properly classified as a current liability, however.)
- Long term investments
- Receivables not expected to be collected within one year
- Land and other natural resources
- Depreciable assets (buildings, equipment, tools, etc.)
- Prepayments or deferred charges that will not be charged to operations within one year
- Notes receivables from stockholders

CURRENT LIABILITIES are obligations whose liquidation is reasonably expected to require (a) the use of current assets or (b) the creation of the other current liabilities. Generally, current liabilities include the following:

- Line of Credit balances and credit card balances
- Payables for materials and supplies
- Amounts collected before goods or services are delivered (overbillings on jobs in progress)
- Accruals for wages, salaries, commissions, rents, royalties, and taxes
- Other obligations, **including portions of long-term obligations**, expected to be liquidated within one year*

*Current liabilities do not include long term notes, bonds and obligations that will not be paid out of current assets.

*If listing a long term liability you should classify the portion of the liability that is due within one year as a current liability. If no current portion of the liability is listed then a percentage of the liability will be classified as current for the purpose of determining the working capital.

Supplemental Financial Statements:

*You may submit a personal financial statement or parent company financial statement in addition to contractor's financial statement to help support monetary limit.

A guaranty agreement must be signed by the person or company officer submitting the supplemental financial statement

*These supplemental financial statements may be self-prepared or compiled.

*Working capital and net worth are calculated for supplemental financial statements. (Working Capital is calculated for personal financial statements.)

*These values are then decreased by 50% and added to overall working capital and net worth.

*A negative working capital or net worth is not reduced by 50%.

Supplemental financial statements may include an investment in the contractors company; however, the board will not allow the value of the investment in the contractors company in calculating overall working capital and net worth. Receivables from related parties will not be counted as a current asset (this also applies to the contractor's financial statement).

Retirement plans will be accepted on a personal financial statement as a current asset; however, the value of the retirement plans will be reduced by 50% to account for tax liabilities.

Line of Credit

You must submit original letter of credit in board's format.

*Any changes/omissions will render the line of credit obsolete in calculating working capital.

*Line of credit will be added to overall working capital. (Does not affect net worth)

If contractor's financial statement shows a negative working capital, the line of credit amount added to working capital is reduced by 50%

Related Party Receivables (related party/owner/stockholder)-

Related Party Receivables are only accepted as a current asset if the related party submits a guaranty agreement and a financial statement which shows they have the ability to pay the receivable within a year.

Monetary Limit Calculation

10 Times the lesser of total Working Capital and total Net Worth.

Working Capital = Total Current Assets minus Total Current Liabilities

Net Worth= Total Assets minus Total Liabilities

Example: Monetary limit of \$1,000,000 must show Working Capital and Net Worth of at least \$100,000

Example Monetary Limit Calculation

This example contains a summary balance sheet for illustrative purposes; a summary balance sheet is not acceptable for complying with the boards requirements.

Contractor's Financial Statement

XYZ Contractor Company (name must be exactly as licensed)		
Balance Sheet		
MM/DD/YYYY		
Assets		
Current Assets		\$14,000
Non-Current Assets		<u>20,000</u>
Total Assets		34,000
Liabilities		
Current Liabilities		16,000
Long-Term Liabilities		<u>10,000</u>
Total Liabilities		26,000
Equity (Net Worth)		<u>8,000</u>
Total Liabilities and Equity		34,000

Working Capital = \$14,000 – 16,000 = **(2,000)** (Parenthesis around number denotes a negative value)

Net Worth = \$34,000 – 26,000 = **8,000**

Supplemental Financial Statement to support monetary limit. (Guaranty Agreement must be properly filled out)

John and Jane Doe (must complete Guaranty Agreement)		
Balance Sheet		
MM/DD/YYYY		
Assets		
Current Assets		\$4,000
Non-Current Assets		<u>220,000</u>
Total Assets		224,000
Liabilities		
Current Liabilities		13,000
Long-Term Liabilities		<u>140,000</u>
Total Liabilities		153,000
Equity (Net Worth)		<u>79,000</u>
Total Liabilities and Equity		224,000

Working Capital = \$4,000 – 13,000 = **(9,000)** (Parenthesis around number denotes a negative value)

Net Worth = \$224,000 – 153,000 = **79,000**

The working capital is taken at full value and the net worth is accepted at 50%, both are added to overall values.

The Contractor also submitted a properly completed Letter of Credit from a Bank for **\$100,000**.

This letter of credit is reduced by 50% due to a negative contractor's working capital.

Total Working Capital = **(2,000) + (9,000) + 50,000** (50% of Line of Credit) = **\$39,000**

Total Net Worth = **\$8,000 + 39,500** (50% of Personal Financial statement) = **\$47,500**

These values support a maximum Monetary Limit of **\$390,000** (10 times lesser of W/C and N/W)

Contractor's Balance Sheet

License #:

License Name:

(The name on the balance sheet must match exactly with your license)

Address

Mode of Operation _____ Sole Proprietor _____ Corporation _____ LLC _____ Partnership

Financial Statement as of

(Month)

(Day)

20

(Year)

Current Assets		Dollars Only	
	Cash on hand and in the Bank		
	Accounts Receivable (Within 1 year)		
	Trade		
	Employees		
	Other: (Itemize)		
	Costs in excess of billings on uncompleted contracts		
	Marketable Securities, Stocks, and Bonds		
	Inventories- Materials or Houses Built or Developed Lots for Sale		
	Retirement Plans (IRA; 401K; Profit Sharing) *Generally Only for Personal Financials		
	Cash Surrender Value of Life Insurance (Not Face Value)		
	Prepaid Expenses (Insurance, Taxes, Interest, Rents, Other)		
	Other: (Itemize)		
A	Total Current Assets		
Non-Current Assets			
	Accounts Receivable (amounts not due within 1 year)		
	Related Party Receivables		
	Long Term Investments		
	Land		
	Depreciable Assets		
	Buildings		
	Equipment		
	Tools		
	Furniture		
	Other: (Itemize)		
B	Total Assets		
Current Liabilities			
	Credit Cards (Balance)		
	Accounts Payable (Due Within 1 Year)		
	Accrued Salaries and Wages		
	Billings in excess of costs (uncompleted contracts)		
	Equipment Encumbrances (Due Within 1 year)		
	Real Estate Encumbrances (Due Within 1 year)		
	Line of Credit (Balance)		
	Other: (Itemize)		
C	Total Current Liabilities		
Long Term Liabilities			
	Accounts Payable (Due After 1 Year)		
	Equipment Encumbrances (Due After 1 year)		
	Real Estate Encumbrances (Due After 1 year)		
	Stockholder Payable		
	Other: (Itemize)		
D	Total Liabilities		
E	Net Worth		
D + E	Total Liabilities and Net Worth		

Working Capital = A - C = _____

Net Worth = B - D = Place in line E

GUARANTY AGREEMENT

***(Required with supplemental financial statements to increase working capital or net worth
or by parent companies indemnifying subsidiaries)***

I/we, the undersigned person(s), natural or corporate, do hereby pledge and agree to guarantee the debts and obligations of the within named contractor for all debts and obligations arising out of the contracting activities of the Contractor as defined by TENNESSEE CODE ANNOTATED, section 62-6-101.

I/we the undersigned Guarantors, agree and contract to pay any and all debts and obligations of said Contractor as provided for above should they fail and refuse to pay and/or default on same.

I/we the undersigned Guarantors, agree to furnish and supply the Board with any and all financial reports, statements and information to which they may request in order to provide evidence of my/our financial security and stability.

I/we understand and agree that where the words "indemnities" appear in Rule #0680-1-.13 of the rules of the Board, it shall be in reference to this document, its title and wording to the contrary.

This document and the obligation undertaken shall expire and shall become null and void upon expiration of any license granted the Contractor by the Board or upon joint request, in writing, of the undersigned Guarantors and the Contractor, with the approval of the Board, provided, however, that any and all debts and obligations for, or arising out of work in process, upon the expiration, nullification and/or cancellation of this agreement, shall be covered and the Guarantor(s) herein shall remain liable for same.

This **GUARANTY AGREEMENT** is being executed at the request of:

(NAME AS ON LICENSE)

the contractor to which this document is applicable for the express purpose of providing additional financial security and stability to, and for, said Contractor in order that they may obtain a license to engage in contracting in the State of Tennessee, Board for Licensing Contractors.

* * *

<p>_____ Name on Corporation's Financial Statement</p> <p>Name: _____</p> <p>Title: _____</p> <p>_____ *Signature of Corporate Official or Personal Guarantor</p> <p>_____ Signature of Additional Personal Guarantor or Spouse</p> <p>*As a corporate official, I am fully authorized to bind and obligate corporation to the terms and conditions of this document as stated herein.</p>	<p>Please Check the Applicable Line</p> <p>____ Corporate Guaranty – Must be signed by Authorized Corporate Official</p> <p>____ Personal Guaranty – Must be signed by All Persons Named on Personal Financial Statement</p>
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NOTARIZE

Affirmed/witnessed and subscribed before me this _____ day of _____, 20_____.

Notary Public Signature

My Commission Expires: _____

- Seal -

*Corporate financial statements submitted to increase working capital and net worth of licensee, must complete corporate section.

** Personal financial statements submitted, the personal guarantor(s) sign and signature of all persons named on financial statement, such as SPOUSE, is required.

LINE OF CREDIT

TO BE WRITTEN ON BANK, SAVINGS & LOAN LETTERHEAD
(May be used to supplement Working Capital)

DATE

TO: **CONTRACTOR LICENSED NAME (Individual, Corporation, Partnership or LLC)**
Address
City, State and Zip

RE: Contractor's License ID# 000 _____

Dear Contractor:

You have requested of (Name of Bank, Savings & Loan (FDIC approved)) to establish a line of credit which will be available to (Name as on License) for use in conducting the contracting business for which a license is being sought from the State of Tennessee Board for Licensing Contractors.

We hereby establish a line of credit for these purposes in the amount of \$(Dollar Amount), which will be maintained for a period of one (1) year from the date of license issuance, subject to no adverse change in your financial condition.

As a condition of this arrangement, it is our understanding you will inform us and the Board for Licensing Contractors of any significant change(s) in your financial condition during the term of this commitment.

We the undersigned will endeavor to notify the Board for Licensing Contractors should we become aware of any significant change(s) in financial conditions of the above named applicant.

The undersigned hereby agrees to notify the Board for Licensing Contractors should we withdraw and/or eliminate the above named applicant's credit line.

By _____
Name Title

SAMPLE LETTER -- FOR BANK USE ONLY

Contractor Instructions

- To increase the working capital, a contractor may take this **SAMPLE** form to their bank
- The line of credit (LOC) does not increase the net worth. (DO NOT add to Financial Statement!)
- If a contractor's working capital is negative, only 50% of the LOC's value is applied
- The LOC is for the contractor's use and may be utilized at any time by the contractor
- This **format's exact wording must be used** in order for the Board to consider accepting
- Original LOC document must be submitted; copies are not acceptable
- Name on LOC must be in the **EXACT NAME** as on the license and financial statement
- Lending institution must be a bank, savings and loan which is FDIC approved

SUPPLEMENTAL INFORMATION

Contractors with limits of **\$1,500,000 OR LESS** may prepare their own financial statement. If your monetary limit is **GREATER THAN \$1,500,000**, you **MUST** attach your CPA's or Licensed PA's **REVIEWED OR AUDITED** financial statement.

FINANCIAL STATEMENT's must be submitted in the **EXACT** name as licensed.

MONETARY LIMIT is based on 10 times the **LESSER** of working capital or net worth. **WORKING CAPITAL** is current assets minus current liabilities; **NET WORTH** is total assets minus total liabilities. The monetary limit cannot automatically be increased; must submit revision request.

LINE OF CREDIT may be used to supplement working capital, only. Must be in our format, on the Bank's letterhead, exact name of the license, and the original copy. If your financial statement shows a negative working capital, only 50% of the Line of Credit's (*do not add to financial statement*) amount will be used.

GUARANTY AGREEMENT with a personal financial statement may be used to supplement financial statement. However, only 50% may be used. NOTE: The Guaranty must be signed by both husband and wife, and notarized. If your financial statement does not support your limit, you will be notified by mail to submit additional information or accept a lower license limit. Companies owned by another entity, the parent company must supply financial statement with Guaranty.

RETIREMENT - To retire a license; please contact the Board office for the application; license must be current. To bring out of retirement, simply complete "Renewal" and pay renewal fee of \$200.00. Retired licensee must pay retirement renewal fee of \$25.00 annually. License cannot be in retirement more than 7 years.

REINSTATEMENT - A license which has been expired in excess of 12 months, the contractor would need to complete the new license application; expired for more than two years, must request waiver of exams. Financial statement requirements are the same as for a new license (see new license instructions in the application).

NAME CHANGE/MODE OF OPERATION CHANGE /TRANSFER - Contact the Board office for the appropriate forms to change mode of operation or to change the name. For example, change to corporation, partnership, Limited Liability Company or sole proprietor. You cannot operate in new mode until license has been approved by the Board; cannot operate in new license name until approved. **Do not send requests to change or revise license with renewal!**

CHANGE IN OWNERSHIP/MERGER/REORGANIZATION DUE TO BANKRUPTCY - License is considered *INVALID* and you must apply for a new license. Contact the Board or review the website for the new license application. If the qualifying agent remains, the exams do not have to be retaken.

REVISION INCREASE REQUEST – Financial statement requirements are the same as when applying for a new license.

GENERAL LIABILITY INSURANCE

Effective July 1, 2007, contractors must provide proof of general liability insurance with the minimum amount of coverage. The amount is determined by the contractor's license limit and is as follows:

<u>Contractor's License Monetary Limit</u>	<u>Minimum Amount Required</u>
Up to \$500,000	\$100,000
Exceeding \$500,000 to \$1,500,000	\$500,000
Exceeding \$1,500,000	\$1,000,000

Failure to provide proof of coverage or a notice of cancellation will cause your license to be invalid!
Any untrue statement regarding employees and not providing proof of workers compensation is grounds for disciplinary action!

Working Capital and Net Worth Formula

Working Capital and Net Worth Calculation

The following formula is used to ensure your financial statement shows enough working capital and net worth to renew:

Current assets minus current liabilities = working capital / Total assets minus total liabilities = net worth			
MONETARY LIMIT DETERMINATION FORMULA - WORKSHEET			
WORKING CAPITAL		NET WORTH	
\$ _____	Current Assets	\$ _____	Total Assets
-		-	
\$ _____	Current Liabilities	\$ _____	Total Liabilities
=		=	
\$ _____	Working Capital	\$ _____	Net Worth

Monetary limit is based on **10 times the lesser of working capital and net worth**. An Unlimited license limit requires \$300,000 in both working capital and net worth. (See page four (4) for additional financial instructions.)

Confidential Information: Financial statements are considered confidential and may not be released to the public. In addition, for public information request of copies, social security numbers are redacted on all forms.

Financial Statement Guidelines for New & Increase Applications

(These are instructions are from the new license application)

Licensed Certified Public Accountant (CPA)

Contact a Certified Public Accountant (CPA) or a Licensed Public Accountant (PA) actively licensed in the state where your business operates. In Tennessee, you may check with the "Tennessee Board of Accountancy" at www.state.tn.us/commerce/boards/accountancy and click on "licensee roster search" to verify they are properly licensed as a CPA firm and as an accountant. Out of state contractors may use their CPA licensed in their state, as long as they are properly licensed and accepted by the National guidelines.

The CPA/PA must prepare a financial statement with a:

- "Reviewed" opinion (required for a monetary limit of \$1,500,000 or less); or
- "Audited" opinion (required for a monetary limit exceeding \$1,500,000); based on "Generally Accepted Accounting Principles" (GAAP);
 - Compiled financial statements are NOT acceptable
 - Financial statements prepared on an income tax basis are NOT acceptable
 - Contractor licenses are issued according to the NAME appearing on the financial statement and the name should match on ALL related information, such as the "Charter", "Articles of Organization", "Line of Credit", "Contractor's Affidavit" or "Guaranty".

New start-up businesses: Contact your accountant on deciding how to operate. Accounts, such as the checking account, will need to be in the business name of how you will operate and contract. Your accountant may advise whether capital needs to be placed into the business account and the time limit required. Your CPA/PA will need to prepare a "Review" or "Audit" on your contractor's operating account. For new contractors with financial statements showing "Cash" only instead of an operating business statement, you must submit, in addition to the reviewed or audited financial statement, a "personal financial statement", with a guaranty agreement (spouses must also sign Guaranty). Supplemental personal statement is not required to be prepared by a CPA.

Monetary Limit Determination

The monetary limit is the total dollar amount per each individual contract or project. A contractor cannot split a contract into phases to work within their limit, however, a 10% tolerance is allowed (except for BC-A/r). A contractor with a monetary limit of \$150,000 may contract up to \$165,000 without being in violation. In addition, there is no limit of the number of projects a contractor may perform.

Example: Monetary limits are based on the maximum of "10 times the lesser" of both working capital and net worth, plus experience listed as working on these size projects (may be while working for other contractors, spec homes or subcontracts, etc.). A license limit of \$150,000 must show working capital and net worth of at least \$15,000. Since the limit is based on the lesser of the two, a contractor with a working capital of \$10,000 and net worth of \$200,000 would qualify for \$100,000, if experienced on these size jobs. The contractor in this example may supplement a "Line of Credit" in the amount of \$5,000 to increase working capital or submit a personal financial statement with Guaranty.

Unlimited License Limit

To obtain an unlimited license, the contractor must show in excess of \$300,000 in working capital and net worth, experience, and an "Audited" financial statement.

Working Capital and Net Worth

Please ask your CPA/PA to determine the amount of your working capital and net worth. Working capital is "current assets minus current liabilities". Net worth is "total assets minus total liabilities". Monetary limit is based on the lesser of both net worth and working capital, and experience.

Financial statement- A balance sheet listing all of the assets and liabilities of the entity holding the license:

- The balance sheet should not contain personal assets or liabilities
- A classified balance sheet is preferred over an unclassified balance sheet (classified-separates assets and liabilities into current and non-current (long-term))
- The financial statement must be in exactly the same name as licensed
- The balance sheet should contain a full date, including the month, day, and year

CURRENT ASSETS are cash and those assets that are reasonably expected to be realized in cash or sold or consumed within one year or within a business's normal operating cycle if it is longer. Generally, current assets include the following:

- Cash and cash equivalents available for current operations
- Marketable securities representing the investment of cash available for current operations, including investments in debt and equity securities classified as trading securities.
- Underbillings on work in progress
- Inventories (to include materials and/or houses built for sale). Also, developed lots for sale. Raw, undeveloped land is not a current asset.
- Retirement Plans, specifically an IRA, 401K and Profit Sharing, will be allowed at 50%
- Cash surrender value of life insurance policies
- Trade accounts receivable and notes and other receivables that are expected to be collected within one year
- Prepaid expenses such as insurance, interest, rents, taxes, etc.

The following are not current assets, however, since they generally are not expected to be converted into cash within one year:

- Cash restricted for special purposes (Restricted cash may be classified as a current asset if it is considered to offset maturing debt that has been properly classified as a current liability)
- Long term investments
- Receivables not expected to be collected within one year
- Land and other natural resources
- Depreciable assets (buildings, equipment, tools, etc.)
- Prepayments/deferred charges that will not be charged to operations within one year
- Notes receivables from stockholders

CURRENT LIABILITIES are obligations whose liquidation is reasonably expected to require (a) the use of current assets or (b) the creation of the other current liabilities. Generally, current liabilities include the following:

- Payables for materials and supplies
- Amounts collected before goods or services are delivered (overbillings on jobs in progress)
- Accruals for wages, salaries, commissions, rents, royalties, and taxes
- Other obligations, including portions of long-term obligations, that are expected to be liquidated within one year*

Current liabilities do not include long term notes, bonds, and obligations that will not be paid out of current assets.

All financial statements submitted should separate current portion of long term debt according to standard accounting principals.

Guaranty Agreement

A “Guaranty Agreement” (see sample format in this application) with personal or parent company financial statement may be needed for the following:

- Contractors submitting “cash” only financial statements due to being a new company with no operating statement, will be required to submit a Guaranty with their personal financial statement;
- Spouse must also sign Guaranty Agreement, if applicant is married;
- Contractors needing to supplement their working capital and/or net worth for their monetary limit, may use personal statement at 50% value with Guaranty;
- Contractors where their company/subsidiary is owned by another entity/parent; must each submit a Guaranty, with their owners financial statements;
- Subsidiary contractors, which are without a reviewed or audited financial statement, may submit a request for the board to accept an in-house financial statement in the name to be licensed, with their parent company’s audited or reviewed statement and a signed “Guaranty Agreement”.

Financial statements are considered confidential and not public information. However, a Guaranty Agreement is considered public information and may be released.

Line of Credit

A Line of Credit (LOC), in the Board’s exact format, in the exact name as financial statement, may be considered to supplement working capital. The LOC must come from a FDIC approved bank, savings and loan institution. The sample format is located in the contractor’s application. If working capital is negative, the Board may consider no more than 50% percent of LOC with guaranty agreement financials. The Board will not issue a license based on the sole value of a LOC and must accompany their entity’s CPA prepared financial statement.

INFORMATION FOR FINANCIAL STATEMENTS

(You must provide your CPA or Licensed PA with this information!!)

NOTE TO CPA/LPA: Please advise your client of their working capital, net worth and monetary limit, and let them know our in-house auditor will review prior to the Board meeting.

ALL applicants MUST have either a REVIEWED or AUDITED financial statement prepared by a CPA or Licensed PA, in accordance with T.C.A. 62-6-111.

COMPILED STATEMENTS AND STATEMENTS PREPARED ON INCOME TAX BASIS WILL NOT BE ACCEPTED!!

- Licenses will be issued in the **EXACT** name that appears on the financial statement. Be sure that the name on the financial statement and the name throughout your application are the **EXACT** same. (If a spouse’s name is on the statement, such as “John and Mary Jones”, the license will be issued as “John and Mary Jones”).
- Request for monetary limits **GREATER than \$1,500,000.00** requires an **AUDITED** financial statement.
- Request for monetary limits **EQUAL TO or LESS THAN \$1,500,000.00** require a **REVIEWED or AUDITED** financial statement.

- **ALL** financial statements **MUST** be prepared by a **CPA or PA**. Their license must be current and in good standing.
- **ALL** financial statements **MUST** include the following:
 - 1) CPA signed opinion letter. This will provide the opinion on the licensee or applicant exactly as the license will be issued.
 - 2) Balance sheet. The balance sheet must list the assets (separated into current and long term); and the liabilities (separated into current and long term) based on the Generally Accepted Accounting Principals (GAAP).
 - 3) Notes to the financial statement. This is requested to explain to the Board how the figures were determined.
 - 4) Audited statements must include the profit and loss statement and cash flow statement.

Note: The Board considers retirement plans, profit sharing plans, IRA's, 401-K's, etc., at **50%** of their value. This is to allow for tax liability.

FINANCIAL STATEMENTS MUST BE PREPARED ON YOUR CPA'S OWN FORM. Financial statements **MUST** be current (current is no older than twelve (12) months). In addition to a reviewed or audited financial statement, the Board may require a personal financial statement if you do not submit an operating statement or cash only. The personal financial statement does not have to be prepared by a CPA or PA.

INFORMATION FOR MONETARY LIMITS

NOTE: CPA/PA'S - Please advise your client of their working capital and net worth-

Monetary limit is based 10 times the LESSER of WORKING CAPITAL, NET WORTH and EXPERIENCE!

Working Capital is your **current** assets *MINUS* your **current** liabilities.

Net Worth is your **total** assets *MINUS* your **total** liabilities.

Example #1:

Current Assets:		<u>\$ 20,000.00</u>	Total Assets:		<u>\$ 20,000.00</u>
Current Liabilities:	-	<u>\$ 10,000.00</u>	Total Liabilities:	-	<u>\$ 10,000.00</u>
Working Capital:	=	<u>\$ 10,000.00</u>	Net Worth:	=	<u>\$ 10,000.00</u>

Monetary Limit Qualify: \$100,000.00 (must show experience, too!)

Example #2:

Company Working Capital:	<u>\$ 20,000.00</u>	Company Net Worth:	<u>\$</u>
Personal Working Capital:	<u>\$ 2,000.00</u>	Personal Net Worth:	<u>\$100,000.00</u>
50% of Personal Working Capital:	<u>\$ 1,000.00</u>	50% Personal Net Worth:	<u>\$ 50,000.00</u>
Line of Credit:	<u>\$ 10,000.00</u>		
Total Working Capital:	<u>\$ 31,000.00</u>	Total Net Worth:	<u>\$ 70,000.00</u>

Monetary Limit Qualify: \$300,000.00 (must show experience, too!)